



The Northwest Finance Circle Past, Present & Future

Final Report 2003



Northwest Finance Circle: Framing the child care finance debate

The Northwest Finance Circle was an initiative with a goal to ensure that families in Seattle, King County and Spokane, Washington have equal access to high-quality, affordable child care services that meet the needs of diverse families. The Northwest Finance Circle, operational from 1999 until 2003, was a member of the Finance Circle, a national think tank funded by the Packard Foundation. The Finance Circle was charged with creating a comprehensive financing model for child care based on the financing of higher education. This report outlines the Finance Circle's case for a systemic approach to financing early learning and school age care programs, as well as its findings and recommendations.

Staffed by the Seattle Human Services Department, the Northwest Finance Circle involved designing and testing financing components and strategies with the ultimate aim of improving the financing of early learning and school age

care programs. Other Northwest Finance Circle lead partners included Child Care Resources, School's Out Washington and the Health Improvement Partnership of Spokane. Funding came from the City of Seattle, the Packard Foundation, the Washington State Department of Social and Health Services, and the U.S. Department of Labor's Women's Bureau.

The term *child care* includes:

- **Early childhood education** — Education and care of children birth to age 5, including preschool, licensed and unlicensed child care, the Early Childhood Education and Assistance Program (ECEAP) and Head Start.
- **School-age care** — Licensed and unlicensed programs that serve children 5-12 years old before and after school, and during summer and school breaks.

Making the case for a systemic approach

We are at a tipping point in developing public awareness about the importance of early learning. Recent research tells us that high-quality early childhood education and school-age care programs have a significant impact on children's kindergarten readiness and school success.

Our challenge is to make sure that as these programs are funded, we hold on to a broader, system-wide vision. We must build a coherent whole that revolutionizes the way we fund child care, and results in all children having equal access to high-quality, effective early learning and school-age care programs.

High-quality programs are a smart investment

There is compelling evidence that high-quality early childhood education is cost-effective and pays big dividends in the long run.

- The High/Scope Perry Preschool Project, conducted over 27 years in Ypsilanti, Michigan, found that for every \$1 invested in high-quality early childhood education programs, there is a long-term benefit of \$8 in public savings because more children stay in school and later become employed, and fewer go on welfare or are arrested for criminal activity. Art Rolnick of the Federal Reserve Bank of Minneapolis calculated that the Perry Preschool Project yielded a 12 percent return on investment to society.
- Children at risk of low educational achievement have the most to gain from high-quality programs and the most to

lose from poor-quality programs, according to the Children's Defense Fund.

- Teachers in the 2003 National Association for the Education of Young Children study reported that only 60 percent of new kindergarteners are "ready for school." Meanwhile, the National Center for Education Statistics in 2001 found that when children start kindergarten already behind in their skills and development, their rate of basic skills gains is far slower than those of their peers, so the achievement gap grows.

Early learning is key to kindergarten readiness

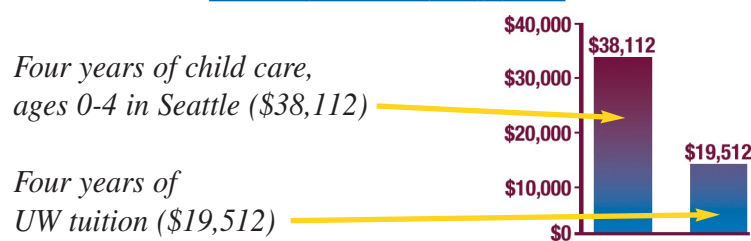
Recent research on brain development tells us that the years from birth to age 5 are crucial to the future success of children in school and their overall development. This means that education begins in early childhood and should be viewed as a "public good" and the first part of the education continuum.

- High-quality early childhood education programs yield gains in language and math skills that last into the second grade. High-quality child care helps young children to become emotionally secure, socially competent and intellectually capable, wrote the Carnegie Corporation.
- We know quality is important, yet less than 10 percent of programs meet national standards for quality and just one in four teachers in center-based programs has a college degree, according to Dr. Richard Brandon, Director of the Human Services Policy Center at the University of Washington.

Most parents can't afford the high cost of child care

- The child care system is under-funded and parents are limited in what they can pay. This means program quality is inconsistent and low and moderate-income families are shut out of accessing high-quality, effective programs.
- Child care in Seattle costs about twice as much as tuition at the University of Washington, and families that earn more than 200 percent of the federal poverty level and aren't eligible for government subsidies may spend up to 35 percent of their income on full-time child care.

Child Care Costs vs. U.W. Tuition



Source: University of Washington, 2003; NWFC using DSHS 2000 rates

The challenge: How to finance high-quality, affordable programs

- Our greatest challenge is not how to design and implement high-quality early childhood education and school-age care programs — it's how to finance them. Funding for such programs is currently a tangle of sources, targets and financing mechanisms that does not support high-quality services or provide equal access for families regardless of income.
- In Washington, parents pay 60 percent of the cost of early childhood education and school-age care programs. Another 39 percent is paid with government subsidies, with just 1 percent coming from other sources, primarily businesses.
- The state and federal governments invest approximately \$6,900 per pupil for K-12 programs, according to the U.S. Department of Education, while only \$1,600 per child is spent on early childhood education in Washington state.
- Insufficient funding has resulted in low pay — one-third of early childhood education and school-age care providers leave their job each year. This creates an inconsistent and unstable environment for children.
- Treating early childhood education and school-age care programs as "market" goods has failed. Market forces typically produce what consumers need at a price they will pay. In this case, consumers simply can't afford the full cost of quality. These programs are really "public" goods that benefit all of society — like public education and health care — and should be financed similarly.

Lessons learned and recommendations

- **Public education campaigns work.** Polls conducted by local and national groups in 2000-2003 told us that the public now understands the value of early learning and school-age care, and voters are willing to help pay for it.
- **We need to anticipate shifts in the local economy.** This means taking decisive action on public investments when the economy is strong. We must identify where the "next dollar" should be spent in efforts to achieve the bigger vision.
- **We should involve members of the community in shaping projects that directly affect them.** This is crucial to developing "culturally relevant" programs that meet the community's needs.
- **Financial incentives alone will not raise quality.** There must also be technical support, training and grants to help providers meet higher standards.
- **Weaving together and maximizing funding sources holds great promise.** Staff from several Washington state agencies continue to work in this area.
- **The funding need is huge.** A budget analysis of more than 50 child care centers indicated that programs would need to double their income to raise program quality to national accreditation standards, and pay appropriate wages.

What the future holds

Northwest Finance Circle funding was not renewed for 2004. However, the important work started by this project will continue as part of local and statewide child care system-building efforts. (See back page for details.) For instance:

- The **True Cost of Quality Care** budget courses will be taught at Seattle Central Community College and a tool kit that walks providers through how to develop a full-cost budget is available on the Seattle Human Services Department web site at <http://www.seattle.gov/humanservices/fys/children>
- **STEPS** ((Strategies to Expand Program Success) is being replicated with some modifications in Spokane by the Washington State Department of Social and Health Services.
- The King County partnership **SOAR, helping kids reach for the sky**, is working on issues of child care quality and finance in partnership with Build, a coalition of leaders in early childhood education from across the state funded by a group of national foundations. Build's goal is to create statewide plans for fully-financed, high-quality early learning systems.

Northwest Finance Circle:

A summary of accomplishments, 2000-2003

Building public will and vision for revolutionizing financing

- **The Northwest Finance Circle vision and strategic plan** — The Northwest Finance Circle held a retreat in the spring of 2001 and mapped the history and landscape of early childhood education and school-age care in Washington, and the 2000-2003 goals of the Northwest Finance Circle. (See inside.)
- **Public education** — More than 20 presentations on financing issues and potential solutions were given by Northwest Finance Circle staff to community groups, funders, policy-makers and parents locally and nationally to advocate for improvements in the way early childhood education and school-age care programs are financed.
- **Funding barriers think tank** — In 2002, the Northwest Finance Circle sponsored a one-day “think tank” involving state and federal agency managers and child care leaders from across the state. Participants developed ideas on how to eliminate bureaucratic barriers and allow the blending of state and federal funding to create a more efficient and seamless system for programs and families. This meeting inspired Washington state agencies to identify ways to streamline and coordinate funds.

Expanding access

- **Opening Doors to Child Care** — This pilot project, run from 2001 to 2003 in southeast Seattle, involved simplifying access to subsidies and services for local families. A common eligibility screening tool was developed. Even though computer system and funding limitations prevented the project from being fully implemented, the work did contribute to other local efforts to simplify access to subsidy programs for low-income families.
- **Renovation or building of new child care centers** — The Northwest Finance Circle created a new guide that more simply explains the City’s construction and land use policies regulating the renovation and building of child care centers.

Improving quality and the effectiveness of programs

- **True Cost of Quality Care project** — This project provided budget training for 50 child care center directors and 16 licensed family child care home providers. As part of the training, providers developed three budget versions for their programs — an actual budget with current resources; a budget for a consistently high-quality program; and a “dream” budget.

- Providers reported that the training changed the way they budget for their programs and also gave them a tool to promote higher wages to their boards, parents and community. A tool kit was created for other providers who didn’t attend the training but want to learn True Cost of Quality budgeting. This tool kit is available on the Seattle Human Services Department web site at <http://www.seattle.gov/humanservices/fys/children>

“I have more knowledge and can present a more professional budget to my board.”

Jennifer Hess, Blazing Trails Child Care, Seattle

- **STEPS** (Strategies to Expand Program Success) — In 2001-2002, the STEPS pilot program offered cash incentives to 42 licensed child care centers and family child care homes that contract with the City of Seattle’s Comprehensive Child Care Program. The cash incentives paid for child care providers to pursue accreditation and also offered cash bonuses to those that met formal accreditation steps. As a result of the 18-month STEPS program, six child care providers earned accreditation and another 18 made significant progress.

“STEPS helped us achieve accreditation by providing funds and motivation.”

Annette Jefferson, We are the World Day Care, Seattle

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Contact: Billie Young

Manager, Child Development Programs
Seattle Human Services Department

(206) 386-1143, email billie.young@seattle.gov